

**CANADIAN
GENERAL ELECTRIC
COMPANY
LIMITED**

**ANNUAL
REPORT
1939**

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MCGILL UNIVERSITY

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

25 King Street West,
Toronto

February 26, 1940.

To the Shareholders,
Canadian General Electric Company, Limited.

We have examined the Balance Sheet of the Canadian General Electric Company, Limited, as at December 31, 1939, and the statement of Income and Earned Surplus for the year ended on that date, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence, by methods and to the extent we deemed appropriate.

The cash and bank balances have been confirmed by count or by certificates from the depositaries.

The marketable and other securities were inspected or confirmed by acknowledgments from the custodians.

Requests for confirmation of accounts receivable were mailed as at various dates during the year to certain debtors with balances aggregating 74% in amount of the total of the accounts outstanding at the dates as of which the requests were mailed and we received replies from them confirming 65% in number and 65% in amount of the requests mailed. The notes and accounts receivable were reviewed as to age and collectibility and, in our opinion, full provision has been made for possible losses.

Certified inventories of merchandise, work in progress and materials and supplies have been submitted to us. We have satisfied ourselves that these inventories have been taken in a careful manner, that ample allowance has been made for inactive and obsolete stocks and that they are conservatively stated at an amount not in excess of cost or market, whichever is lower, less reserves. We reviewed the plan and system of control adopted for inventory purposes and observed the taking of the inventory with respect to certain items selected by us, thereby satisfying ourselves that the methods of taking and recording the quantities were carried out effectively.

Expenditures charged to the property, plant and equipment accounts during the year, in our opinion were properly capitalized as representing additions or improvements. The provision for depreciation for the year appears to be adequate.

All ascertained liabilities have been included in the accounts.

In accordance with Section 114 of the Companies Act, 1934, we report that the earnings of subsidiary Companies for 1939 are included in income from investments in the attached income statement only to the extent of dividends received; such dividends were not in excess of the Company's share of the aggregate of the profits and losses of all subsidiaries.

We report that, in our opinion, based upon such examination the accompanying Balance Sheet and related statement of Income and Earned Surplus are properly drawn up so as to exhibit, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, a true and correct view of the state of the Company's affairs as at December 31, 1939, and the results of its operation for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Company.

PEAT, MARWICK, MITCHELL & CO.,
Auditors.

STATEMENT OF INCOME AND EARNED SURPLUS

YEAR ENDED DECEMBER 31, 1939

Income from operations,		
before deductions.....	\$2,748,039.02	
Income from investments.....	694,269.28	
		\$3,442,308.30

Depreciation.....	\$ 690,792.98	
Income taxes.....	412,259.58	
Salaries of officials and		
legal expenses.....	174,769.15	
Directors' fees.....	14,460.00	
		1,292,281.71
Net income for the year.....		\$2,150,026.59

Earned surplus as at January 1, 1939.....	8,033,170.08	
Earned surplus available for dividends.....	\$10,183,196.67	

Dividends on preferred stock... \$	95,000.00	
Dividends on common stock... \$	1,133,070.00	
		1,228,070.00
Earned surplus as at December 31, 1939.....		<u><u>\$8,955,126.67</u></u>

CANADIAN GENERAL ELE
BALANCE SHEET,

ASSETS

Current assets:

Cash and loans secured by collateral....	\$ 2,111,405.84
Government bonds.....	7,681,500.00
(Market value \$8,256,906.25)	
Accounts and notes receivable, less reserves	3,094,111.61
Inventories at not exceeding the lower of cost or market value, as determined and certified to by the management, less reserves	6,030,932.39
	\$18,917,949.84
Less: Advance collections on contracts..	1,338,750.21
Total current assets.....	\$17,579,199.63

Other assets:

Investment securities, less reserves.....	\$ 3,418,582.20
(Market value \$4,110,367.68)	
Securities of subsidiary companies.....	427,713.81
Employees' savings plan.....	74,169.50
Prepaid expenses.....	47,429.42
Total other assets.....	\$ 3,967,894.93

Fixed assets:

Manufacturing plant including land, buildings and machinery; head office and branch office properties; at cost...	\$16,614,545.83
Less: Depreciation reserves.....	8,861,293.32
	\$ 7,753,252.51
Patents and franchise.....	1.00
Total fixed assets.....	\$ 7,753,253.51
	\$29,300,348.07

A. E. DYMENT, Chairman of the Board.
D. C. DURLAND, President.

GTRIC COMPANY, LIMITED**DECEMBER 31, 1939****LIABILITIES AND CAPITAL****Current liabilities:**

Accounts payable	\$ 1,384,983.74
Taxes payable	651,464.95
Dividend declared on preferred stock	23,750.00
Dividend declared on common stock	283,267.50

Total current liabilities	\$ 2,343,466.19
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General reserve	\$ 6,659,505.21
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Capital stock:**Special Employees' Preferred:**

Authorized—50,000 shares, par value
\$50.00 (callable at par).

Issued—38,000 shares

	\$ 1,900,000.00
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Common:

Authorized and issued—188,845 shares,
par value \$50.00

	9,442,250.00
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Total capital stock	\$11,342,250.00
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Earned surplus as at December 31, 1939	\$ 8,955,126.67
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	\$29,300,348.07
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The auditors' report to the Shareholders appears on the first page.

ANNUAL REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS OF
CANADIAN GENERAL ELECTRIC COMPANY, LIMITED

TORONTO, CANADA

APRIL 3, 1940

The Directors submit herewith the Balance Sheet of your Company as of December 31, 1939, and Statement of Income and Earned Surplus, certified by the Company's Auditors, Peat, Marwick, Mitchell & Co., Chartered Accountants.

The volume of orders received in 1939 was larger than during the previous year, and a considerably higher value of unfilled orders was carried forward into the new year.

Net profits for the year, after deduction of all charges for expenses, depreciation and income taxes, amounted to \$2,150,026.59, as compared with \$1,883,580.81 in 1938, an increase of \$266,445.78.

Dividends on the Special employees' preferred stock, at the rate of 5% per annum, amounted to \$95,000.00. Dividends on the common stock, at \$6.00 per share, totaled \$1,133,070.00. Dividends for the year aggregated \$1,228,070.00, and an amount of \$921,956.59 was added to earned surplus, making the balance in that account \$8,955,126.67 at December 31, 1939.

Current assets amounted to \$17,579,199.63, an increase of \$2,039,460.83, while current liabilities totaled \$2,343,466.19, an increase of \$498,563.57. The excess of current assets over current liabilities, or working capital, amounted to \$15,235,733.44, an increase of \$1,540,897.26. The ratio of current assets to current liabilities was 7.5 to 1.

The Company has no funded debt, notes payable, or other interest bearing obligations of any kind.

Cash and loans secured by collateral amounted to \$2,111,405.84, Government bonds totaled \$7,681,500.00, and investment securities, other than Government bonds,

amounted to \$3,418,582.20. These items aggregated \$13,211,488.04, an increase of \$853,682.93. Government bonds are carried in the Balance Sheet at the lower of par or market value, and other investment securities are carried at values not exceeding either cost or market. Securities of subsidiary companies are conservatively valued at \$427,713.81, and the dividends received during the year are included in income from investments.

Accounts and notes receivable, after adequate reserves for possible losses, amounted to \$3,094,111.61, an increase of \$723,077.62.

In accordance with the Company's established practice, inventories have been taken at values not exceeding the lower of cost or market, and appropriate reserves have been provided for obsolescence and shrinkage in value. Inventories, including installation and work in progress, amounted to \$6,030,932.39, an increase of \$983,571.99.

Capital expenditures in 1939 for additions and replacements at manufacturing plants, offices and warehouses, amounted to \$332,919.00, and depreciation for the year was \$690,792.98. There was a reduction of \$447,048.86 in the net book value of plants and other properties.

During 1939 an amount of \$175,000.00 was paid into the Canadian General Electric Pension Trust, making a total of \$975,000.00 paid into the Trust. Pension payments in 1939 amounted to \$64,584.51, making a total disbursement of \$506,301.99 since the inception of the pension plan.

Employees' holdings on December 31, 1939, under the Employees' Savings and Investment Plan, amounted to 37,716 shares of special employees' preferred stock, having a par value of \$1,885,800.00. The employees have received a total of \$1,044,225.64 in dividends and extra payments since the plan was inaugurated in 1927. An extra payment, equal to $1\frac{1}{2}\%$ of the par value of the shares held under the plan, was made for the year 1938. The employees were given an opportunity to subscribe for additional stock on April 1, 1940.

The Company has continued its other employees' benefit plans, such as group life insurance and vacations with pay to hourly rated employees and piece workers as well as to the salaried staff.

Your Directors deeply regret to record the decease of their esteemed colleagues, Mr. James A. Richardson and Mr. Julian C. Smith.

The Board of Directors and Officers take pleasure in again expressing their appreciation of the loyal and co-operative services rendered by the employees of the Company.

By order of the Board of Directors.

A. E. DYMENT, Chairman
D. C. DURLAND, President

EXECUTIVE OFFICERS

A. E. DYMENT, Chairman of the Board	D. C. DURLAND, President
STEPHEN HAAS, Vice-President	J. J. ASHWORTH, General Manager
E. I. JENKING, Treasurer	H. M. TURNER, Comptroller
W. H. NESBITT, Secretary	

BOARD OF DIRECTORS

A. E. DYMENT, CHAIRMAN OF THE BOARD.
VICE-PRESIDENT, ROYAL BANK OF CANADA.
DIRECTOR, CANADA & DOMINION SUGAR COMPANY, LIMITED.

D. C. DURLAND, PRESIDENT.

STEPHEN HAAS, VICE-PRESIDENT.
CHAIRMAN, GEO. H. HEES, SON & COMPANY, LIMITED.
DIRECTOR, ROYAL BANK OF CANADA.

J. J. ASHWORTH, GENERAL MANAGER.

H. C. COX.
DIRECTOR, CANADA LIFE ASSURANCE COMPANY.
DIRECTOR, CANADIAN BANK OF COMMERCE.

SIR HERBERT HOLT.
CHAIRMAN, MONTREAL LIGHT, HEAT & POWER CONSOLIDATED.
CHAIRMAN, ROYAL BANK OF CANADA.

HON. F. B. McCURDY.
PRESIDENT, EASTERN TRUST COMPANY.
DIRECTOR, BANK OF NOVA SCOTIA.

R. S. McLAUGHLIN.
PRESIDENT, GENERAL MOTORS OF CANADA, LIMITED.
VICE-PRESIDENT, DOMINION BANK.

HON. W. D. ROSS.
VICE-PRESIDENT, BANK OF NOVA SCOTIA.
DIRECTOR, INTERNATIONAL POWER COMPANY.

G. HARRISON SMITH.
PRESIDENT, IMPERIAL OIL LIMITED.
DIRECTOR, ROYAL BANK OF CANADA.

A. M. STEWART, K.C.

CANADIAN GENERAL ELECTRIC COMPANY LIMITED

HEAD OFFICE

212-218 KING STREET WEST, TORONTO, ONT.

BRANCH OFFICES

HALIFAX, N.S.	FORT WILLIAM, ONT.
SYDNEY, N.S.	WINNIPEG, MAN.
ST. JOHN, N.B.	REGINA, SASK.
QUEBEC, QUE.	SASKATOON, SASK.
MONTREAL, QUE.	CALGARY, ALTA.
SHERBROOKE, QUE.	EDMONTON, ALTA.
OTTAWA, ONT.	LETHBRIDGE, ALTA.
HAMILTON, ONT.	TRAIL, B.C.
LONDON, ONT.	NELSON, B.C.
WINDSOR, ONT.	KELOWNA, B.C.
NEW LISKEARD, ONT.	VANCOUVER, B.C.
SUDBURY, ONT.	VICTORIA, B.C.

MANUFACTURING PLANTS

PETERBOROUGH WORKS	PETERBOROUGH, ONT.
DAVENPORT WORKS	TORONTO, ONT.
WARD STREET WORKS	TORONTO, ONT.
EDISON MAZDA LAMP WORKS	TORONTO, ONT.
VACUUM TUBE WORKS	TORONTO, ONT.
ARCHITECTURAL BRONZE & IRON WORKS	TORONTO, ONT.
ROCKFIELD WORKS	LACHINE, QUE.



